

Message Text

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ORIGIN NEA-16

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 SS-20 PM-07 L-03

NSC-07 CIAE-00 INR-10 NSAE-00 RSC-01 DODE-00 OMB-01

TRSE-00 EB-11 AF-10 IGA-02 MC-02 /091 R

DRAFTED BY NEA/AFN:JVMONTVILLE:YSM

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NEA/AFN:GMLANE

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PM/SAS:DJJAMES

DOD/ISA:MR. NOYES

DOD/DSAA:JHOENIG

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O P 151546Z MAY 74

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA NIACT IMMEDIATE

INFO AMEMBASSY RABAT PRIORITY

C O N F I D E N T I A L STATE 100827

E.O. 11652: GDS

TAGS: MASS, EAID, SA, MO

SUBJ: MOROCCAN REQUEST FOR ASSISTANCE IN FINANCING ARMS

REF: JIDDA 2613

1. YOU MAY TELL ADHAM THAT USG HAS OFFERED TO GUARANTEE UP TO \$12 MILLION IN U.S. COMMERCIAL CREDIT TO MOROCCO UNDER FMS IN FY 74. GOM HAS NOT YET AGREED TO ACCEPT THIS GUARANTEE AND WE UNAWARE OF TERMS TO BE OFFERED BY COMMERCIAL SOURCES UNDER GUARANTEE AGREEMENT. WHILE SYMPATHETIC TO MOROCCO'S DESIRE TO BUILD UP PRESENTLY VERY WEAK GROUND AND AIR DEFENSE CAPABILITY, USG CANNOT GO BEYOND ITS FMS GUARANTEE OF \$12 MILLION IN PRESENT FISCAL YEAR.

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2. GOM HAS ALSO BEEN APPROACHED BY PRIVATE U.S. LENDERS WITH OFFERS OF UNGUARANTEED CREDIT OF UP TO \$38 MILLION. WE UNDERSTAND THAT GOM AND PRIVATE LENDERS MAY BE DISCUSSING TERMS PRESENTLY. ALTHOUGH SUCH DISCUSSIONS RE EXCLUSIVELY BETWEEN GOM AND PRIVATE LENDERS, AND USG IS NOT AND CANNOT BE PARTY TO THEM, WE HAVE BEEN TOLD PRIVATE LENDERS WILLING TO CONSIDER TWO-YEAR GRACE PERIOD FOR CREDITS AT SLIGHTLY HIGHER THAN CURRENT COMMERCIAL RATES, REPAYMENT TO BE GUARANTEED BY THE CENTRAL BANK OF MOROCCO.

3. RE ACTION ITEM B PARA 5 REFTTEL, WE DO NOT THINK IT APPROPRIATE FOR USG TO BECOME INVOLVED IN SAUDI-MOROCCAN TALKS. FROM OUR DISCUSSIONS WITH GOM TO DATE, HOWEVER, WE CAN SEE WHY MOROCCANS PRESSING FOR DIRECT \$300 MILLION SAUDI LOAN AT CONCESSIONARY, "ISLAMIC" INTEREST RATES. EVEN THOUGH ALTERNATIVE OF SAUDI GUARANTEE WOULD MOST LIKELY PERMIT MOROCCANS TO GET MORATORIUM ON REPAYMENT OF PRINCIPAL FROM U.S. OR INTERNATIONAL MONEY MARKET, INTEREST RATES WOULD STILL BE COMMERCIAL RATE AND IN GOM'S EYES VERY COSTLY IN VIEW OF INVESTMENT COMMITMENTS UNDER NEW FIVE-YEAR PLAN. WE WOULD THEREFORE EXPECT GOM TO PRESS HARD FOR DIRECT LOAN FROM SAG AT CONCESSIONARY TERMS. WE HOPE, IN ANY EVENT, THAT MUTUALLY ACCEPTABLE AGREEMENT CAN BE REACHED ON QUESTION OF SAUDI AID TO MOROCCO, SINCE WE SUPPORT KING HASSAN'S DESIRE TO IMPROVE THE QUALITY OF HIS ARMED FORCES.

4. WE POUCHING FURTHER INFORMATION ON U.S. MILITARY ASSISTANCE POLICY FOR MOROCCO FOR YOUR BACKGROUND. RUSH

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Message Attributes

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